

# **STATE PROPERTIES COMMITTEE**

## **SPECIAL MEETING**

**MONDAY, DECEMBER 18, 2006**

**A special meeting of the State Properties Committee was called to order at**

**1:04 p.m. by Chairman Jerome F. Williams. Other members present were Mr. Robert Griffith, representing the Rhode Island Department of Administration and Attorney Genevieve Allaire Johnson representing the Rhode Island Department of Attorney General. Also in attendance were Marlene McCarthy-Tuohy and Attorney Cheryl Asquino from the Rhode Island Department of Administration; Steven Fienberg from the Rhode Island Film and Television Office; Kevin Madigan from the Rhode Island Senate Fiscal Office; Attorney Jane Morgan from the Rhode Island Department of Mental Health, Retardation and Hospitals; and Robert Carl, Jr., Ph.D., from The Homestead Group.**

**ITEM A – Department of Administration/Rhode Island Film and Television Office – A request was made for approval of and signatures on a Letter Agreement between Have No Fear Productions, Inc. and the State of Rhode Island. Ms. Asquino explained that Have No Fear Productions, Inc. entered into a License Agreement with the State of Rhode Island on December 19, 2005, for the use of property known as the Cranston Street Armory located at 375 Cranston Street in the City of Providence. Pursuant to the License Agreement, The Cranston Street Armory was to be used as a motion picture soundstage and production facility. On September 1, 2006, Have No Fear Productions, Inc. vacated the Cranston Street Armory leaving**

behind certain improvements as referenced on Exhibit A of the Letter Agreement. Ms. Asquino indicated that repairs were completed, which are also listed on Exhibit A. Ms. Asquino indicated that William Ferguson, Associate Director of the Department of Administration Facilities Management has reviewed and approved Exhibit A as to its accuracy. Mr. Ferguson has also confirmed that there are no threatened-claims of litigation relative to Have No Fear Productions, Inc.'s use of the Cranston Street Armory. The Budget Office conducted a review of the bills, which Have No Fear Productions, Inc. may still owe to the State of Rhode Island. After review of said bills, there remains an outstanding balance in the amount of \$496.25, which is being disputed. However, the parties agree to use good faith efforts to resolve this issue. Have No Fear Productions, Inc. does disclaim any warranty relative to the improvements; however, the quitclaim goes further than a regular quitclaim, as noted below:

1. With regard to the use of the Disney name, the State of Rhode Island can make incidental, non-derogatory references to "Underdog" and Have No Fear Productions, Inc.; and
2. The State of Rhode Island must remove any markings on the improvements; and
3. The State of Rhode Island will indemnify Have No Fear Productions, Inc. for any losses, claims etc., from the State of Rhode Island's use of the Cranston Street Armory after September 1, 2006; and
4. The State of Rhode Island will release and discharge Have No Fear Productions, Inc. from and after the date of the Agreement except that

certain indemnification provisions will survive.

The alternative to the execution of this Letter Agreement is sending notice to Have No Fear Productions, Inc., under the original License Agreement, to remove these improvements. Ms Asquino provided the Committee with a copy of Paragraph 9 of the original License Agreement. Mr. Fienberg clarified that there are certain stipulations relative to the use of Disney and Have No Fear Productions, Inc.'s names. The State of Rhode Island is allowed use of the motion picture's name, "Underdog". Mr. Fienberg indicated that he is not particularly happy with the final language of the Letter Agreement, but he feels he can live with it. Mr. Fienberg is willing to sign off on said agreement provided the State Properties Committee approves the remaining terms and conditions. Chairman Williams indicated that he vehemently disagreed with some of the previous versions of the Letter Agreement. However, Chairman Williams stated that if the Rhode Island Film and Television Office is comfortable that it can live with the current language contained in the Letter Agreement, he would like to conclude this matter. Ms. Allaire Johnson stated that she did not have any problem with the Letter Agreement from a legal prospective. Ms. Allaire Johnson asked Mr. Fienberg whether there are any other issues regarding the use of the Disney name that still concern him. Mr. Fienberg indicated that he felt the final language is workable. Chairman Williams questioned Disney's rationale concerning the use of its name, as there has already been

tremendous publicity regarding its use of the State House for purposes of filming “Underdog” and that fact that “Underdog” is a Disney production. Mr. Fienberg indicated he believes it is more of a control issue. Disney wants control over how and under what circumstances its name is used. A motion was made to approve by Mr.

Griffith and seconded by Ms. Allaire Johnson.

**Passed Unanimously**

**ITEM B – Department of Mental Health, Retardation and Hospitals – A request was made for final approval for the sale of properties located at 492 South Main Street and 504 Gaskill Street in the City of Woonsocket. Ms. Morgan explained that on November 3, 2006, the State Properties Committee granted conceptual approval for the conveyance of the above-referenced properties to The Homestead Group. Ms. Morgan indicated that Craig Stenning and Paul Grenon of the Department of Mental Health, Retardation and Hospitals attended said meeting and explained to the State Properties Committee the deplorable condition of the buildings. At that time, it was the Department of Mental Health, Retardation and Hospitals’ position that the subject properties should be sold to The Homestead Group with the understanding that The Homestead Group would resell said properties. It was also understood that the proceeds from the sale of the properties would be utilized to repair and improve State-owned property located on Fabien Street in the City of Woonsocket, as the Fabien Street property is not presently in compliance with the State of**

Rhode Island Fire Code. Ms. Morgan explained that since that time, she has consulted with the Director of the Department of Mental Health, Retardation and Hospitals and has been informed that the Department's position has changed. The Department of Mental Health, Retardation and Hospitals is now seeking to sell the property via the request for proposals process with the understanding that the proceeds will be utilized to improve and repair the Fabien Street property. In the event there is any remaining funding after the Fabien Street property is repaired, said funds will be utilized to improve other State-owned properties, which the Arc of Rhode Island currently leases from the State of Rhode Island. Ms. Morgan indicated that unfortunately, the Department of Mental Health, Retardation and Hospitals arrived at this decision subsequent to The Homestead Group procuring an appraisal of the properties and consulting with a real estate agent regarding the sale of the properties. Dr. Carl indicated that he was informed some time last week that the State of Rhode Island had changed its position relative to the sale of the subject properties to The Homestead Group. Dr. Carl indicated that on November 3, 2006, at a special meeting of the State Properties Committee, the Committee unanimously voted in favor of conceptual approval to convey the subject properties to The Homestead Group. As a result of the Committee's decision, Dr. Carl stated that he obtained an appraisal of the properties, consulted with a realtor, spoke to The Homestead Group's Board and spoke to parents who have complained about the deficiencies relating to various State-owned properties. Dr. Carl stated that he informed these

individuals that there is finally a collaborative and cooperative effort between The Homestead Group and the State of Rhode Island to resolve these issues. Dr. Carl indicated that The Homestead Group had expended time and money to conduct due diligence relative to these properties. Dr. Carl further indicated that his good name and good standing has been jeopardized and his word of honor compromised as a result of the State of Rhode Island's change of heart. Dr. Carl indicated that The Homestead Group believes it should be made whole, as it proceeded with good faith and guidance from the State of Rhode Island. Dr. Carl noted that the agenda indicated this item as a request for final approval for the sale of the subject properties. Dr. Carl is unsure as to how the State of Rhode Island can restore his good name with The Homestead Group's Board and with the parents of residence of the Fabien Street property who are sincerely concerned for the wellbeing of their children. Dr. Carl reminded the State Properties Committee that the State of Rhode Island has had three (3) to five (5) years in which it could have taken some action with regard to the subject properties; however, the State has not even attempted to resolve these issues. Dr. Carl indicated that The Homestead Group has privatized the State's activities and now operates a large privatized endeavor. Dr. Carl stated that if The Homestead Group is involved in a partnership venture and the State sends it forth to accomplish something, the State ought to honor its own decision. Dr. Carl feels that the State of Rhode Island has exploited The Homestead Group. Dr. Carl encouraged the State Properties Committee to honor its previous decision to grant

conceptual approval for the conveyance of the subject properties to The Homestead Group. Chairman Williams apologized for being unable to attend the November 3, 2006, special meeting of the State Properties Committee at which time these items were presented. Chairman Williams indicated that when Director Nelson brought the deplorable condition of these buildings to his attention and showed him pictures of the interiors of these buildings, he immediately placed these items on the State Properties Committee agenda. Chairman Williams expressed his concern that someone could seriously injure themselves or worse if they attempted to enter either building. Dr. Carl echoed Chairman Williams' concern and informed the Chairman that he had expressed this very concern at the previous meeting. Chairman Williams does not want the State of Rhode Island to hold these properties knowing it has no funds to repair them. Chairman Williams indicated that what troubles him about the structure of this particular transaction is that the State is essentially circumventing the appropriation process by selling the properties to an entity and then having the entity resell them and utilize the proceeds to repair another State-owned property. Chairman Williams indicated that the Budget Office has serious concerns regarding the structure of this conveyance. There were also concerns regarding whether such a transaction would set a precedent relative to the sale of other State-owned properties. Chairman Williams indicated that Director Nelson is examining all State-owned group homes in an attempt to find a solution to this problem. Chairman Williams stated that he does not want this transaction to jeopardize Director Nelson's

ultimate vision relative to these types of properties throughout the State of Rhode Island. Director Nelson is attempting to establish a long-term strategic plan for all group homes throughout the State, which have not received the necessary level of maintenance due to the lack of funding available. Chairman Williams stated that after taking into consideration all of the concerns and issues involved and after consulting with the Budget Office, he believes that the State should conduct the sale of the subject properties and reprogram the proceeds from said sales into the budget to ensure the money is targeted for the repair of the Fabien Street property. Chairman Williams apologized to Dr. Carl and explained that this decision is not an affront to him or his agency relative to the initial approval; however, Chairman Williams wants to avoid any future problem regarding the setting of a precedent. In addition, Chairman Williams explained that conceptual approval by the State Properties Committee is not, final approval, nor does it ensure final approval. The conceptual approval stage does not establish any type of commitment, but

allows due diligence to begin. Chairman Williams does not want it to appear that the State is sidestepping the appropriation process in order to obtain funds for the repair of the Fabien Street property. Chairman Williams indicated that he is anxious to get these properties sold and see the other properties repaired as soon as possible, but he does not want issues to arise, which will impact the larger plan to repair and/or sell properties in the future. Chairman Williams indicated that credit must be given to Director Nelson



relative to her immediate attention to these properties resulting in their being placed on the agenda. Dr. Carl indicated that he approached Director Nelson because he was confident that she would be responsive and he was certainly not suggesting otherwise. Dr. Carl pointed out that this type of conveyance is not a new concept and therefore, will not set a precedent. Properties have been transferred in this manner in the past. Dr. Carl indicated that when members of the General Assembly sat on the State Properties Committee, they endorsed and approved this type of conveyance. Dr. Carl indicated that the State is now five (5) years into the problem and he does not believe that any action will be taken anytime soon. Chairman Williams stated that if the Committee votes to approve the sale of the subject properties by the State, the buildings will be sold and the recommendation will be made that the proceeds from the sale be allocated for the restoration and repair of the Fabien Street property. Chairman Williams indicated that he has no control over the General Assembly, however; he indicated the sale of these facilities will not languish. Chairman Williams stated that he, like Dr. Carl, does not want to see someone fall down a staircase or fall through a floor and find out the State has a death on its hands. He does not want that liability. Dr. Carl indicated that as it seems obvious that the Committee is determined to reverse its previous decision, he suggested that the State of Rhode Island consult The Homestead Group relative to potential buyers of the properties. Dr. Carl indicated that he also expected the Committee to support his notion that The Homestead Group be compensated for its

expenditures. Chairman Williams asked what the total amount of The Homestead Group's expenditures is. Dr. Carl did not have this information immediately available. Chairman Williams asked Dr. Carl to forward an accounting of the expenditures to his attention. Chairman Williams further stated that the Committee is working toward the eradication of the term "conceptual approval". He believes the term provides an applicant with an unrealistic sense of approval. The term "conceptual approval" is intended to give the applicant the consent to move forward with the due diligence process. The State Properties Committee is compelled to consider all issues and concerns before granting final approval. In this particular instance, concerns were raised by the Budget Office after conceptual approval was granted; however, those concerns still have to be addressed. Mr. Griffith indicated that he was the Acting Chair at the special meeting of November 3, 2006. Also in attendance were Ms. Allaire Johnson, Mr. Ryan and Mr. Kay. Mr. Griffith stated that at that meeting, the Committee brought up many of the same issues and concerns, which Chairman Williams has expressed to the applicant today. Mr. Griffith indicated that he was personally satisfied with the applicant's explanations as to principal. Mr. Griffith asked both the budget analyst and the budget officer to ascertain whether the Department of Mental Health, Retardation and Hospitals had requested funds in its budget request and whether said funding would be forthcoming in the Governor's Recommend. In both instances, Mr. Griffith was advised that there was no specific request made regarding the restoration and repair of the Fabien Street

property. Therefore, there will be no specific funding authorized for the Fabien Street property. Mr. Griffith was further advised that the Department of Mental Health, Retardation and Hospitals has received every dollar it requested for capital improvements and that said funds will be insufficient to cover all of its needs. Mr. Griffith indicated that he shared this information with the Committee. After a lengthy discussion, the State Properties Committee moved and seconded conceptual approval and the motion was unanimously approved. Mr. Griffith indicated that he also expressed concern that said approval may set a precedent. Again, Mr. Griffith was personally satisfied with the explanation of the applicant as to why approval would not set a precedent. Mr. Griffith stated that he is speaking on his own behalf and not on behalf of the Director of the Department of Administration whom he represents on the State Properties Committee. Mr. Griffith indicated he is loathed to overturn the previous approval. However, if Chairman Williams deems it necessary, Mr. Griffith will abide by that decision. Mr. Griffith requested that any motion to approve the sale of the subject properties by the State of Rhode Island include language, which speaks to the expeditious sale of the properties and that the proceeds from the sale be dedicated to the Fabien Street property with the understanding that no further precedent will be established particularly with respect to the Department of Mental Health, Retardation and Hospitals facilities, which must be dealt with in a more comprehensive fashion in the future. Chairman Williams indicated that the funds can be dedicated to the Fabien Street property based upon the Committee's motion, but said funds will

have to be re-appropriated as part of the Fiscal 2007 Supplemental Budget, which is under the control of the General Assembly. Mr. Griffith understood that fact; however, he believes it is incumbent upon the Committee to communicate its intent to the General Assembly. Chairman Williams indicated that Director Nelson and the Budget Review Commission have done a tremendous amount of work relative to the State's group homes. Ms. Allaire Johnson indicated that since she has been a member of the State Properties Committee, there have been instances when the Committee has approved something conceptually and as information was brought forward, the Committee withheld final approval. Ms. Allaire Johnson indicated that although some of the issues Chairman Williams brought up today were previously discussed, she believes there are other issues, which have to be explored. Mr. Griffith concurred that the term "conceptual approval" is a vague term and not altogether appropriate. A motion was made by Mr. Griffith in his official capacity and as representing the Director of the Department of Administration to approve the sale of the properties located at 492 South Main Street and 504 Gaskill Street in the City of Woonsocket expeditiously by the State of Rhode Island and that the proceeds be identified and designated in the Fiscal 2007 Supplemental Budget for the repair of the Fabien Street property in Woonsocket and that any documentable expenses of The Homestead Group relative to preparing these properties for sale be reimbursed. The motion to approve was seconded by Ms. Allaire Johnson.

**Passed Unanimously**

**ITEM C – Department of Mental Health, Retardation and Hospitals – A request was made for conceptual approval for the sale of property located at 90 Plain Street in the City of Providence. Ms. Morgan indicated that the subject property is very visible from the highway. The building has been used for the past few years as a substance abuse treatment center. Ms. Morgan indicated that mold has become a serious problem inside the building. The Department of Mental Health, Retardation and Hospitals had to move residents of this facility to the Matthius Building as a result of numerous complaints filed by the Occupational Safety and Health Administration (“OSHA”). Since the residents have been moved to another location, the Department of Mental Health, Retardation and Hospitals has been approached by numerous interested parties that wish to purchase the subject property. It is Ms. Morgan’s understanding that the proceeds from the sale of this property, which is expected to be fairly substantial, will be utilized to increase capacity within the system for individuals suffering from substance abuse and other mental health issues. Ms. Morgan indicated that one very interested party is Rhode Island Hospital. Representatives from Rhode Island Hospital have already toured the property. The Department of Mental Health, Retardation and Hospitals has also been approached by representative of Olympus Group and Atlantic Management, which leads the Department to believe the property will generate a competitive bid process. The Department of Mental Health, Retardation and Hospitals is hoping for an expeditious sale of this property. Chairman Williams agreed that there will be a significant**

level of interest relative to this property. Chairman Williams concurred that the building is in need of a substantial amount of work and as there is no State funding available to accomplish the restoration and the subject property is located in the commercial area where there is high value associated with property, Chairman Williams believes selling the property makes the most sense. Since the building has been unoccupied, it has been broken into several times, which places the State of Rhode Island at tremendous risk. Chairman Williams stated that if the subject property is sold in an expeditious fashion, it is possible that the proceeds could be included in the Governor's Recommend for the Fiscal 2007 Supplemental Budget. Mr. Griffith indicated that there is no guarantee that the proceeds from the sale of the subject property will be reappropriated in accordance with the Department of Mental Health, Retardation and Hospitals' intentions. Mr. Griffith indicated that the State is currently dealing with vacant property in a piece meal fashion and it is essential that a more comprehensive solution be established. Mr. Griffith is hopeful that there is a collaborative effort by the Department of Mental Health, Retardation and Hospitals, the Budget Office and the appropriate leadership of the General Assembly to develop a consensus package so that the State is not left to the vagaries and whims of different individuals involved in the budget process. Chairman Williams concurred and commended Director Nelson and the Department of Mental Health, Retardation and Hospitals' for its vision of a more efficient approach to dealing with properties under the Department's control. A motion was made to

**approve by Mr. Griffith and seconded by Ms. Allaire Johnson.**

**Passed Unanimously**

**There being no further business to come before the State Properties Committee, the meeting was adjourned at 1:54 p.m. Mr. Griffith made a motion to adjourn, which was seconded by Ms. Allaire Johnson.**

**Passed Unanimously**

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**Holly H. Rhodes, Executive Secretary**